



SELECT KIWISAVER SCHEME

Conservative Fund
Balanced Fund
Growth Fund

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

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SELECT KIWISAVER SCHEME

Manager	Smartshares Limited
Registered Office	Level 1 NZX Centre, 11 Cable Street, Wellington 6140, New Zealand
Investor enquiries	Smartshares Limited PO Box 105262 Auckland 1143 Telephone: 0800 80 87 87 Email: contact@myselectkiwisaver.co.nz
Licensed Supervisor	Public Trust
Administrator and Custodian	BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch
Auditor	KPMG
Distributor	Select Wealth Management Limited
External Investment Manager	JMI Wealth

SELECT KIWISAVER SCHEME

STATEMENTS OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 31 MARCH 2021

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	Period ended 2021	Period ended 2021	Period ended 2021	Period ended 2021
Note	\$'000	\$'000	\$'000	\$'000
Investment activities				
Dividends and distributions	2	10	24	36
Net changes in fair value of financial assets and financial liabilities	(4)	(7)	1	(10)
Other foreign exchange losses	-	-	(1)	(1)
Total net investment income	(2)	3	24	25
Fund expenses	(1)	(2)	(4)	(7)
Net (loss)/profit before membership activities	(3)	1	20	18
Membership activities				
Contributions received from and in respect of members:				
Member contributions	6	16	35	57
Employer contributions	2	5	17	24
Transfers in	381	892	1,830	3,103
	389	913	1,882	3,184
Switches within the Select KiwiSaver Scheme:				
Switches in from other Select KiwiSaver Funds	32	-	-	32
Switches out to other Select KiwiSaver Funds	-	(15)	(17)	(32)
	32	(15)	(17)	-
Other member movements:				
Portfolio Investment Entity tax	-	1	1	2
	-	1	1	2
Net membership activities	421	899	1,866	3,186
Increase in net assets during the period	418	900	1,886	3,204
Net assets available for benefits				
Opening balance	-	-	-	-
Increase in net assets during the period	418	900	1,886	3,204
Members' interests at the end of the period	418	900	1,886	3,204

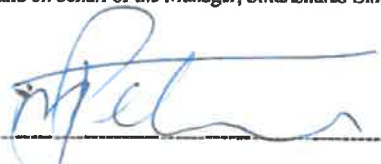
The accompanying notes form part of and should be read in conjunction with these financial statements.

SELECT KIWISAVER SCHEME

STATEMENTS OF NET ASSETS AS AT 31 MARCH 2021

		Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	Note	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Assets					
Cash and cash equivalents		51	184	327	562
Dividend receivable		-	7	21	28
Other receivables		2	5	6	13
Outstanding sales		-	-	108	108
Financial assets at fair value					
Investments	7	386	843	1,792	3,021
Portfolio Investment Entity tax receivable		-	1	1	2
Total assets		<u>439</u>	<u>1,040</u>	<u>2,255</u>	<u>3,734</u>
Liabilities					
Fund expenses payable	10, 11	(2)	(7)	(11)	(20)
Outstanding purchases		(19)	(133)	(358)	(510)
Total liabilities		<u>(21)</u>	<u>(140)</u>	<u>(369)</u>	<u>(530)</u>
Net assets available for benefits to members		<u>418</u>	<u>900</u>	<u>1,886</u>	<u>3,204</u>
Liability for benefits		<u>418</u>	<u>900</u>	<u>1,886</u>	<u>3,204</u>

For and on behalf of the Manager, Smartshares Limited, which authorised the issue of the financial statements on 28 July 2021.



 Director



 Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

SELECT KIWISAVER SCHEME

STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2021

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	Period ended 2021	Period ended 2021	Period ended 2021	Period ended 2021
Note	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Dividends and distributions received	1	1	1	3
Sale of investments	80	490	1,356	1,926
Fund expenses paid	(1)	-	1	-
Purchase of investments	(450)	(1,205)	(2,896)	(4,551)
Net operating cash flows	9 <u>(370)</u>	<u>(714)</u>	<u>(1,538)</u>	<u>(2,622)</u>
Cash flows from financial activities				
Contributions received from and in respect of members and employers	8	21	52	81
Transfers in	381	892	1,830	3,103
Switches in from other Select KiwiSaver Funds	32	-	-	32
Switches out to other Select KiwiSaver Funds	-	(15)	(17)	(32)
Net financial cash flows	<u>421</u>	<u>898</u>	<u>1,865</u>	<u>3,184</u>
Net increase in cash and cash equivalents held	51	184	327	562
Cash and cash equivalents at the beginning of the period	-	-	-	-
Cash and cash equivalents at the end of the period	<u>51</u>	<u>184</u>	<u>327</u>	<u>562</u>
Cash and cash equivalents comprise of:				
Cash at bank	51	184	327	562
Cash and cash equivalents at the end of the period	<u>51</u>	<u>184</u>	<u>327</u>	<u>562</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

SELECT KIWISAVER SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

1. General information

The Select KiwiSaver Scheme (the "Scheme") is a Kiwisaver scheme registered in New Zealand under the KiwiSaver Act 2006 (the 'Act') for the principal purpose of providing KiwiSaver benefits to its members and is open to everyone eligible to join KiwiSaver. The Scheme is also registered under the Financial Markets Conduct Act 2013 (the "FMCA 2013") and the registration number is SCH 13004. The Scheme was established under a trust deed dated 7 August 2020 amended and restated on 16 October 2020 (the "Trust Deed").

Members and employers contribute to the Scheme over time by way of regular savings, lump sum payments or transfer of funds from other sources which are received via the Inland Revenue. The Scheme also receives annual government contributions for the eligible members in accordance with the Act. Benefits payable, which can be paid as a lump sum or a series of withdrawals, depend on contributions made (including annual government contributions) and any returns on contributions received.

These financial statements are for the Scheme, which comprises the following funds:

Conservative Fund
Balanced Fund
Growth Fund

Each fund in the Scheme is established as a separate and distinct trust fund.

2. Reporting period

These are the Scheme's first financial statements and are for the period 23 November 2020 to 31 March 2021 as the Scheme only commenced operations on 23 November 2020.

3. Basis of preparation

These financial statements have been drawn up in accordance with the Trust Deed and comply with the requirements of the FMCA 2013, New Zealand Generally Accepted Accounting Practice as defined in the Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS"). The accounting policies have been consistently applied throughout the reporting period.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. All amounts are in New Zealand Dollars (NZD), rounded to the nearest thousand. Where specific amounts are referred to in the note wording, the amounts are rounded to the nearest dollar. The functional currency is NZD.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates that affect the reported amounts and the application of accounting policies. It also requires the Manager to exercise its judgement in the process of applying the accounting policies of the Scheme.

Discussion of the critical accounting estimates and judgements used is included in note 7 on fair value of financial assets and financial liabilities.

5. Summary of significant accounting policies

(a) Financial assets and liabilities

Classification

Financial assets and liabilities are classified based on the business model for managing those financial assets and liabilities and the contractual cash flow characteristics of the financial assets and financial liabilities in accordance with NZ IFRS 9: Financial Instruments.

(i) Financial assets and financial liabilities at fair value through profit or loss

These include investments at fair value through profit and loss. The information about these financial assets is mainly evaluated on a fair value basis together with other related financial information used to assess the assets' performance and to make decisions.

(ii) Financial assets at amortised cost

These include cash and cash equivalents and receivables.

(iii) Financial liabilities at amortised cost

These represent amounts recognised to be paid in the future for goods and services received. These include outstanding settlements and other accrued expenses.

SELECT KIWISAVER SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

5. Summary of significant accounting policies (Continued)

Recognition, derecognition and measurement

The financial statements of the Scheme recognise financial assets and financial liabilities on the date that the funds become parties to the contractual agreement (trade date).

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or the funds have transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and financial liabilities held at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Changes in Net Assets. Subsequent to initial recognition, these are measured at fair value. Gains or losses arising from changes in the fair value of financial assets and financial liabilities at fair value through profit or loss are presented in the Statement of Changes in Net Assets within 'net changes in fair value of financial assets and financial liabilities' in the period in which they arise.

Financial assets at amortised cost are measured at amortised cost, the carrying value of financial assets at amortised cost closely approximates their fair value, using the effective interest method, less an allowance for impairment based on the expected credit losses (ECL).

Financial liabilities at amortised cost are measured at amortised cost using the effective interest method.

Fair value determination

The fair value of financial assets and financial liabilities traded is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the last traded price.

For managed investment trusts where there is no active market the fair value is determined by the realisable value of the trusts as advised by the investment managers. Fair value is based on the underlying market value on the reporting date.

(b) Cash and cash equivalents

Cash and cash equivalents ("Cash") means cash at bank, demand deposits and other highly liquid investments. Cash does not include accounts receivables or payables, or any borrowings subject to a term facility.

(c) Dividends and distributions income

Dividends and distributions income are recognised when the right to receive payment is established.

(d) Net assets available for benefits

The net assets available for benefits represent the Scheme's present obligation to pay benefits to the members. This has been calculated as the difference between the carrying amounts of the assets and carrying amounts of the liabilities at the reporting date.

Units issued provide the holder with a beneficial interest in the relevant funds. The units are issued and redeemed based on the respective funds' net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets available for benefits for the fund with the total number of outstanding units for the fund. The units issued are redeemable subject to the provisions of the Trust Deed and are therefore classified as financial liabilities in accordance with NZ IAS 32 Financial Instruments: Presentation.

(e) Fees and expenses

All fees and expenses are recognised in the Statement of Changes in Net Assets on an accruals basis.

SELECT KIWISAVER SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

5. Summary of significant accounting policies (Continued)

(f) Taxation

Each fund is a Portfolio Investment Entity ("PIE") under the New Zealand tax rules. Under the PIE regime, income is effectively taxed in the hands of the members and therefore the funds do not have an income tax liability on their accounts.

Each fund attributes the taxable income to members in accordance with their proportionate interest in the fund. Income attributed to each member is taxed at the member's Prescribed Investor Rate ("PIR") which is capped at 28%. The tax balance included in the Statements of Net Assets represents PIE tax receivable or payable on behalf of the members.

(g) Goods and services tax (GST)

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

(h) Changes in accounting policies and accounting standards adopted during the period

(a) As these are the Scheme's first set of financial statements, there have been no changes in accounting policies during the period.

(b) New accounting standards adopted

A number of new standards and amendments are effective from 1 April 2020, but they do not have any material impact on the financial statements of the Scheme.

- Amendments to IAS 1 and IAS 8: Definition of Material. Effective for annual periods beginning on or after 1 January 2020.
- Amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7: Interest Rate Benchmark Reform. Effective for annual periods beginning on or after 1 January 2020.

(i) Issued but not yet effective accounting standards

The following amendments to standards or interpretations have been issued but not yet effective for the year ended 31 March 2021, and have not been applied in preparing these financial statements.

- Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16: Interest Rate Benchmark Reform - Phase 2. These amendments shall be applied for annual periods beginning on or after 1 January 2021. Early adoption is permitted.

The adoption of the above amendments to standards in future periods is not expected to have a significant impact on the Scheme's financial statements.

(j) Aggregation

The results, position and cash flows reported for the Scheme is a simple aggregation of the results, position and cash flows of the funds that make up the Scheme and PIE tax which is shown net in the Statement of Net Assets.

6. Risk

The investment activities undertaken by each fund directly expose them to market risk (market price risk, currency risk and interest rate risk), credit risk and liquidity risk. Additionally, each fund is also indirectly exposed to a variety of financial risks including credit, currency, interest rate, market price and liquidity risks through the holding of the investments in managed investment trusts.

The financial risk management disclosures have been prepared on the basis of the funds' direct investments and not on a full look through basis for the investments held indirectly through the managed investment trusts.

SELECT KIWISAVER SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

6. Risk (Continued)

6a Market risk

Market price risk is the risk of gains or losses from changes in the market price of underlying investments. Currency risk is the risk of gains or losses or changes in the New Zealand dollar value due to changes in foreign exchange rates. Interest rate risk is the risk of gains or losses in interest income from changes in market interest rates.

An analysis of the financial risks arising from the direct investments of the funds is set out below:

Market price risk

Equity securities held are exposed to market price risk arising from uncertainties about future prices of financial instruments. Because the funds invest in exchange traded funds (ETFs) and other managed investment trusts, the value of each fund will move up and down with the market.

A 10% annual increase/decrease in equity prices is considered to be a reasonably likely percentage change based on the historical performance of the underlying investments.

A 10% increase/decrease in equity prices would have increased/decreased net profit and members' interest as shown in the table below:

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Impact of 10% change in market prices +/-	39	84	179	302

Currency risk

The funds may hold financial instruments in a currency other than the New Zealand Dollar (NZD) and therefore have exposure to currency risk.

A 10% annual strengthening/weakening of the NZD against the Australian Dollar (AUD) is considered to be a reasonably likely percentage change based on historical trends and represents the exposure to currency price risk during the period ended 31 March 2021.

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
AUD	2	13	43	58

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

6. Risk (Continued)

Interest rate risk

Each of the funds hold cash assets and therefore have exposure to interest rate risk.

A 1% increase/decrease in interest rates, which is a reasonable expected movement based on historic rate trends, would have an impact on the value of each fund's net assets available for benefits as follows:

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Impact of 1% change in the interest rate +/-)	1	2	3	6

6b Credit risk

The funds are exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms of conditions of a contract with the funds. The maximum credit risk of financial instruments is considered to be their carrying value. The balance does not represent the maximum risk exposure that would arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date. Financial assets that subject the funds to credit risk consist primarily of cash and receivables. The analysis below summarises the credit quality of each fund's exposure rated externally by Standard & Poor's.

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
AAA to AA-	51	184	327	562

6c Liquidity risk

The Manager monitors the liquidity position of each fund on a daily basis. Liquidity management is designed to ensure that each fund has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal levels of withdrawals. The Manager regularly monitors market volatility and withdrawal levels to establish each fund's appropriate liquidity level. In the event of abnormal levels of withdrawals, timing of payments may depend on the ability of the particular fund to realise its underlying investments on a timely basis.

6d Capital management

Net assets available for benefits are considered to be the Scheme's capital for the purposes of capital management and the Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns to members as well as ensuring the net assets available for benefits are sufficient to meet all present and future obligations. In order to meet the objectives for capital management, the Manager reviews the performance of each fund on a regular basis.

SELECT KIWISAVER SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

7. Fair value of financial assets and financial liabilities

Financial assets and financial liabilities measured at fair value are categorised across the following 3 levels based on the degree to which their fair value is observable, Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - Fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable either directly or indirectly; Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value for investments in ETFs and listed managed investment trusts is based on their last traded price and defined as Level 1. Fair value for investments in unlisted managed investment trusts is based on their Net Asset Value (NAV)/mid-price, and categorised as Level 2 in the hierarchy.

There were no transfers between levels during the period ended 31 March 2021.

	Conservative Fund 31 March 2021			Balanced Fund 31 March 2021			Growth Fund 31 March 2021			Select KiwiSaver Scheme 31 March 2021		
	Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
Financial assets at fair value through profit or loss												
<i>Investments:</i>												
ETFs	349	-	349	586	-	586	960	-	960	1,895	-	1,895
Listed equities and managed investment trusts	19	-	19	132	-	132	429	-	429	580	-	580
Unlisted managed investment trusts	-	18	18	-	125	125	-	403	403	-	546	546
	<u>368</u>	<u>18</u>	<u>386</u>	<u>718</u>	<u>125</u>	<u>843</u>	<u>1,389</u>	<u>403</u>	<u>1,792</u>	<u>2,475</u>	<u>546</u>	<u>3,021</u>

8. Units on issue ('000 units)

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	Period ended	Period ended	Period ended	Period ended
	2021	2021	2021	2021
	Units	Units	Units	Units
	'000	'000	'000	'000
Opening balance	-	-	-	-
Contributions	388	899	1,837	3,124
Switches in from other Select KiwiSaver Funds	31	-	-	31
Switches out to other Select KiwiSaver Funds	-	(15)	(16)	(31)
Closing balance	<u>419</u>	<u>884</u>	<u>1,821</u>	<u>3,124</u>

SELECT KIWISAVER SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

9. Reconciliation of net (loss)/profit before membership activities to net cash flows from operating activities

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	Period ended 2021 \$'000	Period ended 2021 \$'000	Period ended 2021 \$'000	Period ended 2021 \$'000
Net (loss)/profit before membership activities	(3)	1	20	18
<i>Adjustments for:</i>				
Payments for the purchase of investments	(450)	(1,205)	(2,896)	(4,551)
Proceeds from sale of investments	80	490	1,356	1,926
Realised gain on investments	-	(6)	(22)	(28)
Unrealised loss on investments	4	13	21	38
Foreign exchange loss	-	-	1	1
Non-cash distributions	(1)	(2)	(2)	(5)
Increase in receivables	(2)	(12)	(27)	(41)
Increase in payables	2	7	11	20
Net cash flows from operating activities	<u>(370)</u>	<u>(714)</u>	<u>(1,538)</u>	<u>(2,622)</u>

10. Related party transactions

Key management personnel is Smartshares Limited. Aside from fees due to the Manager, there were no transactions with key management personnel during the period.

The Manager is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

The fees paid to the Manager for the period ended 31 March 2021 and the total amounts due to the Manager are as follows:

	Conservative Fund	Balanced Fund	Growth Fund	Select KiwiSaver Scheme
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Manager's fee	-	-	1	1
Manager's fee remaining payable at period end	-	-	1	1

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021

11. Fund expenses and membership fees

The total fund expenses are made up of an administration fee and a management fee (both of which are charged on the fund's net asset available for benefits to members and are deducted from, and reflected in the value of, the fund).

The administration fee covers normal fund operating costs such as the Manager's fee and costs, and the fees and costs charged by the supervisor, custodian and administration manager. Of the total administration fees, Select Wealth Management Limited receives any remaining amounts due after all fees and costs are paid. In the event that fees and costs of a fund exceeds the total administration fee, this shortfall will be covered by Select Wealth Management Limited.

The management fee covers the fees and costs of JMI Wealth for providing investment management services and some of the fees and costs of Select Wealth Management Limited for acting as distributor of the Scheme. It also includes the fees and costs charged by the underlying funds invested in.

Additionally, Select Wealth Management Limited is entitled to receive a membership fee of \$36 per annum plus GST from each member.

12. Audit fees

The fee paid for the financial statements audit for each fund for the period ended 31 March 2021 was \$4,226. The fee paid for the registry compliance audit for each fund for the period ended 31 March 2021 was \$403.

13. Commitments and contingencies

There are no material liabilities, collateral or capital commitments as at 31 March 2021.

14. Subsequent events

There have been no further material events after the reporting date that require adjustments to or disclosures in the financial statements.



Independent Auditor's Report

To the members of:

- Select Kiwisaver Scheme Conservative Fund
- Select Kiwisaver Scheme Balanced Fund
- Select Kiwisaver Scheme Growth Fund

Collectively "Select Kiwisaver Scheme" (the "Funds and Scheme")

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements of Funds and Scheme on pages 2 to 12:

- i. present fairly in all material respects the Funds' and Scheme's financial position as at 31 March 2021 and their financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statements of net assets as at 31 March 2021;
- the statements of changes in net assets and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Funds and Scheme in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to Smartshares Limited (the "Manager") for statutory audit, controls assurance and registry assurance. The provision of these other services has not impaired our independence as auditor of the Funds and Scheme. Subject to certain restrictions, partners and employees of our firm may also deal with the Funds and Scheme on normal terms within the ordinary course of trading activities of the business of the Funds and Scheme. These matters have not impaired our independence as auditor of the Funds and Scheme. The firm has no other relationship with, or interest in, the Funds and Scheme.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set with reference to a benchmark of Funds' and Scheme total assets. We chose the benchmark because, in our view, this is a key measure of the Funds' and Scheme's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter

How the matter was addressed in our audit

Valuation and existence of investments

Refer to Note 7 of the Funds' and Scheme financial statements. The Funds' and Scheme portfolio of investments makes up majority of total assets. We do not consider these investments to be at high risk of significant misstatement or be subject to a significant level of judgement. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls to and where necessary performed additional testing of these controls to 31 March;
- agreeing the exit price of the investments to independent third-party sources; and
- agreeing investment holdings to confirmations received from the custodian.

We did not identify any material differences in relation to the carrying amount of investments.

Other information

The Manager, on behalf of the Funds and Scheme, is responsible for the other information included in the Funds' and Scheme's Annual Report. Other information includes the details and changes to the Funds and Scheme and other information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the Funds and Scheme, is responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

